

Mission Statement

The Finance Department will provide prudent financial management of publicly entrusted resources and will provide the organization with the highest quality financial, administrative, investment and analytical reports and services. We will establish and maintain a level of trust with our community, our City Council and our customer departments and will always be sensitive to our customers' needs.

Department Overview

The Department's primary purpose is to act as the chief financial steward over all public resources and to provide a wide variety of financial, technical and support functions generally encompassed by treasury, accounting, budget, long-term financial planning, auditing and revenue administration. The City places a high value on transparency and full disclosure in all matters concerning the City's financial position and results of operations. To this end, Finance strives to provide superior disclosure in all documents including but not limited to the City's Budget, Quarterly Financial Reports, Comprehensive Financial Report and compliance filings. We will go beyond the minimum reporting requirements established by the professional standards organizations, including applying to professional certificate achievement programs and completing voluntary event disclosure filings. We provide accurate, reliable and timely financial information to the entire organization and members of the public. These financial reports and services are critical to the City's financial stability, and the City's ability to consistently deliver the highest quality of municipal services our residents have grown to expect and deserve. We are committed to supporting the Council's Fiscal Sustainability Plan by maintaining appropriate cash reserves, maintaining the highest possible credit rating for Newport Beach, accurately reporting and forecasting revenue and expenditure performance on a quarterly basis and appropriately calculating fair and defensible cost recovery targets.

Key Department Programs

- Finance and Treasury
- Office of Management and Budget
- Revenue
- Accounting

Goals

- Manage public resources by providing prudent financial planning, reporting and control to manage and protect City assets, with the intended outcome of long term fiscal sustainability.
- Provide accurate, relevant and reliable information about the City's financial condition to City Council, departments and the public to improve accountability, maintain the public's trust and assist City Council and the City Manager in making well-informed financial decisions.
- Actively serve on the implementation team for an Enterprise Resource Planning (ERP) system to update our financial systems, improve business processes and develop an improved performance-based budget document.



Total Finance Department Costs:

	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Proposed
Salaries and Benefits	\$ 6,178,912	\$ 6,206,236	\$ 4,515,337	\$ 4,717,750
Maintenance and Operations	\$ 913,694	\$ 1,191,078	\$ 2,357,710	\$ 2,064,942
Capital Equipment	\$ 263,626	\$ 240,027	\$ 18,000	\$ 5,000
Total	\$ 7,356,232	\$ 7,637,341	\$ 6,891,046	\$ 6,787,692

Programs

Finance and Treasury

Intended Outcome: Provide prudent financial planning and management of public resources, to ensure fiscal sustainability, and high quality, accurate and timely financial reporting and services that our community, departments and City Council can rely upon and utilize to make well-informed decisions.

Core Functions:

- Provide effective leadership to the Finance Department by providing clear, well-defined goals and expectations which encourage employees to perform their duties with high standards and ethics, always keeping in mind the customer's and the City Council priorities.
- Ensure staff has the resources and professional training necessary to achieve success in the performance of all duties.
- Recommend and maintain prudent fiscal policies to ensure financial stability and the protection of City assets.
- Provide long-term financial planning and recommend financial strategies for liquidity management, capital planning, public financing and debt management.
- Provide economic analysis to support revenue and expenditure assumptions and forecasting.
- Actively serve on the ERP implementation team and provide technical staff to assist in the implementation to ensure a high quality system which focuses on business process improvements, accurate and timely reporting and overall the protection of all City resources.

Work Plan:

- Review, monitor and update the City's Fiscal Policies in line with best practices and economic conditions including but not limited to investments, capital planning, debt management, reserves and fiscal sustainability.
- Take a leadership role in the implementation of a new financial system / Enterprise Resource Planning (ERP) system.
- Be a change champion for the City's business process re-engineering project, leading City teams to complete and update process improvements throughout the City.

Budgeted Staffing:

Positions	FY 2010-11	FY 2011-12	FY 2012-13
Administrative Support Services Coordinator	1.0	1.0	1.0
Deputy Finance Director	1.0	1.0	1.0
Finance Director/Treasurer	1.0	1.0	1.0
Graphics & Printing Specialist	1.0	1.0	1.0
Mail Processing Clerk	1.0	-	-
Printing Services Supervisor	1.0	1.0	1.0
Senior Mail Processing Clerk	1.0	1.0	1.0
Total Budgeted Staffing	7.0	6.0	6.0

Performance Measures

Performance measures focus our attention on priorities and results and also enhance our accountability for these results to the community we serve.

Performance Measures	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Projected
<u>Outcome: Finance is prudent in planning, managing and protecting public resources with the long-term goal of fiscal sustainability.</u>				
<u>Finance always provides high quality, accurate and timely reports and analysis.</u>				
Maintain Underlying Credit Rating of AAA	N/A	AAA ¹	AAA	AAA
Qtrly Financial Reports Submitted within 45 days	N/A	3	4	4
Actual Revenues not less than 1% of mid year forecast	No	Yes	Yes	Yes
Investment Portfolio Benchmark Comparison ²				
Avg Credit Quality (Benchmark/Portfolio)	AAA/AAA	AAA/AA+	AAA/AA ³	AAA/AA
Duration (Benchmark/Portfolio)	1.88/1.40 Yrs	1.88/1.74 Yrs	1.88 /1.70 Yrs	1.88/1.60 Yrs
Total Return (Benchmark/Portfolio)	1.87%/2.52%	1.35/1.60%	1.71/1.75%	.5%/1.5%
Investment Portfolio Yield to Maturity at Cost	1.98%	1.60%	1.00%	1.25%
Contingency Reserve >15% of Operating Budget	12.00% ⁴	15.00%	15.00%	15.00%
Unrestricted GF Balance >30% Operating Budget ⁵	48.00%	41.24%	42.00%	42.00%
General Fund & FFP Balance @ Fiscal Year end ⁶	\$82,157,866	\$88,394,489	\$99,000,000	\$99,000,000 ⁷
Facilities Financing Plan Reviewed Annually	Yes	Yes	Yes	Yes
Bonded Debt Service <8% of General Fund Revenues	0.00%	0.45%	5.35%	5.18%
Financial Health Benchmarked Annually	No	No	No	Yes
40 Hours of Continuing Education met Annually	Yes	Yes	Yes	Yes
Finance expenditures maintained under budget	Yes	Yes	Yes	Yes
¹ Moody's Investor Service, Standard & Poor's and Fitch Ratings have all assigned the City of Newport Beach an AAA credit rating, the highest possible underlying rating, one of only five agencies in California to receive an AAA rating from all three rating agencies.				
² Core Investment Portfolio is currently benchmarked against the BofA ML 1-3 yr government securities benchmark.				
³ Standard and Poors downgraded U.S. Sovereign Debt and related institutions in August 2010.				
⁴ The Council Policy concerning contingency reserve levels were increased from 12% to 15% effective Fiscal Year 2010-2011.				
⁵ Unrestricted fund balance does not include non-spendable or externally restricted fund balance.				
⁶ Reserve includes General Fund & Facilities Financing Plan (FFP) Balance.				
⁷ Cash funding for major projects such as the Civic Center, Sunset Ridge and Marina Park may significantly impact this balance in FY 2012-13.				

Total Finance & Treasury Program Costs:

	2009-10 Actual	2010-11* Actual	2011-12 Estimated	2012-13 Proposed
Salaries and Benefits	\$ 419,634	\$ 797,927	\$ 808,639	\$ 840,899
Maintenance and Operations	\$ 41,358	\$ 9,413	\$ 100,843	\$ 184,875
Capital Equipment	\$ 161	\$ 161	\$ 3,500	\$ -
Total	\$ 461,153	\$ 807,501	\$ 912,982	\$ 1,025,773

*The Print Shop and Mail Room functions were transferred into the Finance & Treasury Division in FY 2010-11.

Office of Management and Budget

Intended Outcome: Develop and manage cost effective processes over budget, payroll, accounts payable and purchasing for the protection and allocation of City resources. Provide accurate and reliable financial reports to City Council, the City Manager and departments so they can make informed decisions.

Core Functions:

- Development and administration of the City's operating budget including monthly monitoring to ensure budgetary control accuracy of revenues and expenditure compliance.
- Coordinate and process the City's biweekly payroll function.
- Provide accounts payable and purchasing services to all departments and administer the Citywide purchasing card program.
- Manage the City's warehouse including inventory control measures and disposal of surplus property.
- Prepare financial analysis as directed by management timely and accurately.

Work Plan:

- Enhance our budget document to report and monitor more detailed performance budget measures.
- Be actively involved in the implementation of an ERP system for a smooth transition of our financial systems.
- Train departments in preparing and using performance budgets and assist in measuring identified performance areas.
- Provide analytical reports and analysis to management for use in employee contract negotiations.
- Report back to Council mid-year to provide a financial update to the budget as compared to actuals and to report on performance measures.
- Update, analyze and report upon the five-year budget forecast to remain aware of economic conditions which impact our community and provide continuous updates on our long-term fiscal sustainability.

Budgeted Staffing:

Positions	FY 2010-11	FY 2011-12	FY 2012-13
Budget Analyst	1.0	1.0	1.4
Budget Intern	-	0.4	-
Budget Manager	1.0	1.0	1.0
Buyer	1.0	1.0	1.0
Fiscal Clerk Part-time	0.7	0.5	0.5
Fiscal Specialist	2.0	2.0	2.0
Inventory Analyst	1.0	1.0	1.0
Purchasing Agent	-	1.0	1.0
Senior Budget Analyst	1.0	1.0	1.0
Senior Buyer	1.0	-	-
Senior Fiscal Clerk	1.0	1.0	1.0
Student Aide	0.5	0.5	0.5
Total Budgeted Staffing	9.7	10.4	10.4

Performance Measures	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Projected
<u>Outcome: Develop and manage cost effective processes over Budget, Payroll, A/P and Purchasing and provide accurate and timely financial reports to the City Manager, City Council and departments so they can make informed decisions.</u>				
Total Budget Administered ¹	\$238,193,312	\$214,853,870	\$346,499,550	\$260,101,779
General Fund Budget	\$149,559,255	\$137,088,761	\$149,251,204	\$152,322,683
Total Value of Payables Processed	\$132,000,000	\$127,500,000	\$230,000,000	\$145,000,000
Days to issue vendor payments-target < 7 days	n/a	n/a	100% ²	100%
Purchase Orders Issued	1,262 ³	1,295	600	650
Days to issue purchase order-target 5 days	8	9	4 ⁴	3
# of Request for Proposals processed	65	82	100	120
Administrative Policies established or revised-target 4	n/a	2	4	4
Training seminars given to City employees-target 8	3	3	12	8
# of budget adjustments	136	131	140	125
Single audit finding-target none ⁵	0	0	0	0
# of paychecks processed	27,420	25,999	25,000	25,000
¹ Budget Administered represents the gross budget administered (including internal service charges).				
² Target established in FY 11 when we transitioned to weekly vendor payments.				
³ Began including Blanket Agreement and Maintenance Agreements in the total Purchase Orders Issued in FY 2009-10.				
⁴ Starting this FY, Blanket Agreements and Maintenance Agreements were phased out; these transactions would be replaced with formal RFPs and Contracts. This will lower the number of PO's issued but raise the number of RFPs and Contracts.				
⁵ No potential loss of grant funding.				

Total Office of Management and Budget Program Costs:

	2009-10 Actual	2010-11* [^] Actual	2011-12~ Estimated	2012-13 Proposed
Salaries and Benefits	\$ 1,597,903	\$ 1,065,771	\$ 1,034,799	\$ 1,105,958
Maintenance and Operations	\$ 146,782	\$ 107,017	\$ 165,686	\$ 245,480
Capital Equipment	\$ 20,203	\$ 2,275	\$ 4,000	\$ 4,000
Total	\$ 1,764,888	\$ 1,175,063	\$ 1,204,485	\$ 1,355,438

*The Print Shop and Mail Room functions were transferred to the Finance and Treasury Division in FY 2010-11.

[^]The Budget and Payroll functions were transferred into OMB in FY 2010-11.

~The Parking Meter function was eliminated in FY 2011-12.

Revenue

Intended Outcome: Safeguard and maximize City revenues; manage collections timely and equitably; provide excellent customer service.

Core Functions:

- Implement and enforce Municipal Code revenue programs.
- Work with City Council to develop new revenue programs and streamline current programs for the benefit of the Newport Beach business community and the general public.
- Monitor legislative changes impacting revenue services, with a particular focus on revenue enhancements, parking revenues, tax collection, tax programs, municipal billing, user fees, business license tax, payment transactions and revenue controls.
- Review the accuracy of subventions collected from state and local government agencies.
- Review compliance of City's revenue programs, including, but not limited to, the Transient Occupancy Tax, Sales and Use Tax ordinances and lease agreements.
- Automate services to the public, improve online bill payment functions and maintain high-quality customer service.
- Administer City's business tax program pursuant to the Municipal Code.
- Collect revenues through online services (credit card), cashiering (cash), other departments (checks and credit cards) and perform reconciliations.
- Maintain accurate records and book keeping for all payments received, ensuring security controls to prevent theft, fraud or mishandling of public funds.
- Monitor external contracts for parking meter services, sales tax reviews and other to ensure City revenues are maximized and consultants are adhering to contract terms.
- Be actively involved in the implementation of an ERP system for a smooth transition of our financial systems.

Work Plan:

- Update fee schedule pursuant to the third and fourth phases of the cost-of-services study.
- Assist Harbor Resources and City Attorney's Office on the conversion from commercial pier permits to agreements.
- Assist the City's ERP implementation team to identify business process improvements and automation of services to benefit our customers.
- Make relevant training available to ensure the skills, abilities and knowledge gained in the course will be helpful in performing job responsibilities in an accurate and efficient manner.
- Modernize the filing system of hard copy documents and set procedures to have documents readily available through computer access.
- Improve online bill pay, billing, business license, general customer service functionality and ensure a more user-friendly system.
- Provide timely and just adjudication decisions.
- Provide regular and timely performance, agreement, tax and franchise audits.

Performance Measures	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Projected
<u>Outcome: Protect and maximize City revenue sources in a timely and conscientious manner; provide superior customer service.</u>				
Customer issues resolved w/in 24 hours-target 100%	99%	97%	98%	99%
Municipal billings generated (includes paperless)	278,039	278,039	278,039	278,039
Paperless billings	3,535	5,242	6,112	7,072
New business licenses (paper)-target 0%	22%	19%	16%	15%
New business licenses (online)-target 100%	78%	81%	84%	85%
Business license renewals (paper)-target 0% ³	85%	84%	83%	82%
Business license renewals (online)-target 100% ³	15%	16%	17%	18%
Parking citations processed	62,775	62,000	60,000	62,000
# completely automated customer service transactions ¹	75,845	68,989	73,798	80,665
# of electronic customer service transactions ²	95,370	87,349	94,198	103,015
Administrative citations processed	2,600	2,500	3,000	3,000
Adjudications	5,208	5,000	5,700	5,800
# of payments processed w/remittance processor-target 77,000	86,383	83,292	80,494	78,100
Income contracts administered	65	65	55	55
Compliance reviews	58	66	66	66
Transient Occupancy Tax (TOT) audit recovery-Target \$0	175,042	4,534	60,000	10,000
Fees studied for current full cost recovery	67	247	89	252
Parking lots revenue-target \$2,250,000	\$1,865,113	\$1,978,324	\$2,250,000	\$2,000,000
¹ Requires no staff support, includes Web and phone payments and sign-ups for APP and paperless billing.				
² May require some staff support, includes Web and phone payments, sign-ups for APP and paperless billing, and Quest service requests.				
³ Counts and percentages are estimates.				

Budgeted Staffing:

Positions	FY 2010-11	FY 2011-12	FY 2012-13
Fiscal Clerk	4.0	4.0	5.0
Fiscal Clerk Part-time	0.70	0.90	-
Fiscal Process Supervisor	1.0	1.0	1.0
Fiscal Specialist	2.0	2.0	2.0
Fiscal Specialist Part-time	0.45	0.45	0.45
Lead Parking Lot Attendant	1.8	1.2	1.2
License Inspector	1.0	1.0	1.0
License Supervisor	1.0	1.0	1.0
Mail Processing Clerk	-	1.0	1.0
Parking Lot Attendant	5.3	5.9	5.9
Parking Lot Supervisor	1.0	1.0	1.0
Parking Meter Serviceworker	2.0	-	-
Parking Meter Serviceworker Part-time	0.72	-	-
Parking Meter Supervisor	1.0	-	-
Revenue Auditor	1.0	1.0	1.0
Revenue Manager	1.0	1.0	1.0
Review Officer	0.76	0.76	0.76
Senior Fiscal Clerk	4.0	4.0	3.0
Senior Fiscal Clerk Part-Time	-	-	0.75
Student Aide	0.39	0.39	0.39
Budgeted Total Staffing	29.12	26.60	26.45

Total Revenue Program Costs:

	2009-10 Actual	2010-11* Actual	2011-12 Estimated	2012-13 Proposed
Salaries and Benefits	\$ 1,613,101	\$ 2,047,836	\$ 2,095,026	\$ 2,150,617
Maintenance and Operations	\$ 254,754	\$ 538,412	\$ 1,916,760	\$ 1,487,787
Capital Equipment	\$ 2,116	\$ 5,854	\$ 7,000	\$ -
Total	\$ 1,869,971	\$ 2,592,102	\$ 4,018,787	\$ 3,638,404

*Parking Lots was transferred to the Revenue Division from the City Manager Division in FY 2010-11.

Accounting

Intended Outcome: Ensure compliance with GASB, Council, State, and Federal regulations and provide accurate, reliable and timely financial reports to our stakeholders.

Core Functions:

- Prepare, reconcile and present the Comprehensive Annual Financial Report (CAFR) to the external auditors.
- Continue to strive for the Government Finance Officers Association "Award for Certificate of Excellence in Financial Reporting" which the City has received for the last 20 years.
- Coordinate all accounting, audit management and financial reporting.
- Monitor and implement new accounting pronouncements to ensure the City adheres to generally accepted accounting practices.
- Manage general ledger maintenance, debt administration and assessment district administration.
- Accounting and reporting for capital assets.
- Track and manage cash flows and treasury requirements.
- Safeguard the City's cash from fraudulent activity through daily monitoring of reverse positive pay.
- Continue to update and maintain the Facilities Financing Plan.
- Oversee the compilation of the Quarterly Financial Report provided to Council as part of the City Manager's Quarterly Business Report.

Work Plan:

- Monitor, interpret and implement new GASBs as needed, including the recent exposure draft on new pension disclosures.
- Monitor performance and produce quarterly financial status reports for the City Manager and Council to keep them abreast of the City's financial condition and any challenges or solutions identified to keep our General Fund balanced.
- Automate the allocation of interest income on a monthly basis.
- Improve on analytical review of all revenues/ expenditures by developing or acquiring modern forecasting and business analytics tools.
- Be actively involved in the implementation of an ERP system for a smooth transition of our financial systems.
- Automate the production of the Comprehensive Annual Financial Report (CAFR), management reports and routine compliance reports.

Performance Measures	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Projected
<u>Outcome: Ensure compliance with all Federal, State and local regulations and standards while providing high-quality, accurate and timely financial information to all stakeholders.</u>				
Maintain Underlying AAA Credit Rating	N/A	Yes ¹	Yes	Yes
Quarterly Financial Report w/in 45 days-target 4	N/A	3 ²	4	4
Track & Manage Cash Flows and Treasury Requirements on a daily basis	Yes	Yes	Yes	Yes
Daily monitoring of fraudulent account activity	Yes	Yes	Yes	Yes
GFOA Award for Excellence Received for CAFR	Yes	Yes	Yes	Yes
External Audit of CAFR results in a "Clean" Opinion	Yes	Yes	Yes	Yes
Days after fiscal year end CAFR available-target < 180	172	169	164	159
Update Compliance with Reserve Policy Annually	Yes	Yes	Yes	Yes
No. of Continuing Disclosure Filings- Target ALL	18	17	17	17
¹ Moody's Investor Service, Standard & Poor's and Fitch Ratings have all assigned the City of Newport Beach an AAA credit rating, the highest possible underlying rating, one of only five agencies in California to receive an AAA rating from all three rating agencies.				
² Quarterly Financial Reports established midyear in FY 11.				

Budgeted Staffing:

Positions	FY 2010-11	FY 2011-12	FY 2012-13
Accountant	2.0	3.0	2.0
Accounting Manager	1.0	1.0	1.0
Fiscal Clerk Part-time	0.25	0.25	0.25
Fiscal Specialist	1.0	1.0	1.0
Senior Accountant	1.0	-	1.0
Total Budgeted Staffing	5.25	5.25	5.25

Total Accounting Program Costs:

	2009-10 Actual	2010-11* Actual	2011-12 Estimated	2012-13 Proposed
Salaries and Benefits	\$ 1,044,809	\$ 608,114	\$ 576,872	\$ 620,277
Maintenance and Operations	\$ 84,479	\$ 74,954	\$ 174,420	\$ 146,801
Capital Equipment	\$ 855	\$ 773	\$ 3,500	\$ 1,000
Total	\$ 1,130,143	\$ 683,840	\$ 754,792	\$ 768,078
*The Budget and Payroll functions were transferred to OMB in FY 2010-11.				